

**Report of the**  
**Howard County Task Force**  
**On**  
**Affordable Housing**

*Submitted to*  
*County Executive James N. Robey*  
*November 13, 2006*

## Introduction

In June, 2006, Howard County Executive James N. Robey appointed a 23 member task force under the auspices of the Howard County Housing Commission to look at issues around affordable housing, and to develop a plan, including concrete recommendations, to be presented to him. In the work plan prepared for the Task Force, its mission was outlined. “The purpose of the Task Force is to develop a practical and workable strategy that addresses affordable housing needs and goals, the barriers to implementing the provision for low, moderate and middle income households and the resources to overcome such barriers.”

The Task Force consisted of a cross-section of representatives from interest and advocacy groups, as well as representatives of the development community, both for profit and not for profit, builders, major employers, and the business community. All meetings were also attended by staff from the Howard County Department of Housing and Community Development and the Department of Planning and Zoning who acted as additional resources. See Appendix A for list of Task Force Members.

The Task Force was divided into two committees – the Committee on Needs and Goals and the Committee on Resources and Impediments. The committees met independently over the course of the summer and early fall and came together periodically to share their work with one another. This report represents a compilation of their work. They focused their discussion on households with income from the very lowest level to 110% of the County median income, or \$100,300. The work of the Task Force was supplemented by several speakers who addressed it on various topics such as community land trusts, and data analysis prepared by Richard Clinch, Director of Economic Research in the Jacob France Institute of the University of Baltimore, following a model developed for the Atlanta, Georgia region.

The Task Force concluded its work by noting that the time allotted to consider this very complex issue was not sufficient to develop detailed implementation plans, and the two-committee format of the Task Force was not appropriate to do so; nor was there time to explore in any depth the very specialized housing needs of the homeless, individuals with disabilities and other populations that require deep subsidies and sometimes adaptive housing. However, the consensus was that this Task Force has created a framework for public discussion of the housing needs of the broader population, and the development of methods to implement its recommendations. Many people on the Task Force have pledged to be engaged in continuing efforts to see that this work does not sit on a shelf, but is the basis for some meaningful change in the provision of housing for all the citizens of Howard County.

## **Executive Summary**

The high quality of life in Howard County has its roots in the economic diversity of its population and an historic stock of quality, affordable housing. Over the past forty years there has been a sea change in the County as it transformed from an affordable rural place to a suburban environment with an economically diverse work force. As it evolved, the affordable housing advantage enjoyed by the County has been progressively diminishing. Housing affordable to first responders and other public servants, service workers, retirees, individuals with disabilities and other special needs populations, or even recent college graduates is just not available in sufficient numbers, and these people, who contribute to the quality of life and diversity of the County, can no longer afford to live here.

Today, Howard County is facing a challenge that results from its economic successes over the past forty years. It is admired and recognized nationally for its school system and high quality of life, and this overwhelming success has created a tremendous housing cost bump in the local market. Fortunately, the County is at the beginning of three major redevelopment opportunities – Routes 1 and 40, and downtown Columbia. These projects can generate a significant number of new housing units, and represent an opportunity to try to address affordable housing needs.

The children of County residents, their parents on fixed incomes, County teachers and police officers and firefighters, hospital workers and others do not earn enough, in many cases, to rent or to buy in the County today, because Howard County average house purchase prices and rentals are out of the economic reach of most low and moderate wage workers. According to the Jacob France Institute of the University of Baltimore, its database of employed persons indicates 70% of the jobs in Howard County pay less than \$50,000 per annum, and many quite a bit less.

Average rents range from \$960 (one bedroom) to \$1,500 per month (three bedrooms) before utility costs are added. Income of about \$41,400 is needed to afford the rent for a one-bedroom apartment. Starting teachers make \$40,080; firefighters begin at \$35,868. The average condominium sale in 2006 was \$273,143. The average single family home sale was \$485,500. A recent survey of homes for sale in the County on the Maryland multiple real estate listing service (MRIS) revealed 89% were priced above \$300,000.

This affordability gap creates a destructive chasm between the need for housing and the availability of affordable housing in Howard County. A gap in supply versus demand indisputably exists, and it is inevitable that the gap will continue to grow unless steps are taken to ensure that enough affordable housing is developed to meet the anticipated growth in low and moderate wage jobs in the County, and existing affordable units are preserved. There are positive forces

occurring in the region such as the anticipated growth of employment through the Federal Base Realignment and Closure (BRAC) program. However, anticipated service jobs that will be created as a result of BRAC are likely to cause the housing gap to grow. This was the unanimous conclusion of the Howard County Task Force on Affordable Housing appointed by County Executive James N. Robey.

To maintain its competitiveness in attracting high quality workers and to meet Howard County's fair share of the regional housing need, the Task Force looked at how to harness the energy of the market with various initiatives aimed at reducing the housing gap and moving closer to a full spectrum of affordable housing capable of meeting the housing needs of the full range of workers in the County. For purposes of this report, the Task Force looked at affordable housing as that for households with income below 110% of the County median, or \$100,300.

It acknowledged that given the limited amount of developable land remaining in the County, every effort must be made to take advantage of every development opportunity to assure development of a wide spectrum of housing in terms of type, size, and price. Preservation of existing affordable housing must also be a priority. Absent being able to turn back the clock, Howard County's affordable housing problem cannot be solved, but there are things that can, and should, be done to mitigate it as it goes forward.

While the group acknowledged that much has been done in recent years with the implementation of the Moderate Income Housing Unit (MIHU) program, and that there has been some creative planning with regard to the redevelopment of the Route 1 corridor, current formulas are just not getting the County where it needs to be. The Task Force agreed that much more needs to be done. Its main recommendations include:

- *“Full spectrum” and “fair share” affordable housing are two overarching concepts endorsed by the Task Force as highly desirable. While it understands that not all County workers will choose to reside in the County, the County should strive to provide sufficient housing affordable for its workforce and others. In so doing, it will have done its fair share in meeting the housing needs of the region. Further, the County must aspire to provide a full spectrum of housing, not all low income housing, or all luxury housing, not all for-sale or all rental, but housing capable of serving its residents at various income levels in the County, and proportional to their numbers, with particular emphasis on housing affordable to households below 110% of the County median.*
- *Zoning changes need to be made throughout the County, encouraging building and redevelopment at higher densities, and broadening the ability to add full spectrum housing on commercial sites.*

- *The Moderate Income Housing Unit program should be amended to apply not just new construction but also to (1) conversions of rental property to condominiums, and (2) in return for density bonuses.*
- *Exclude development of affordable housing from the housing allocation growth cap. If housing that addresses the full spectrum of affordable need is proposed – either homeownership or rental – the development of affordable units should be able to move forward regardless of the status of allocations for the location.*
- *Require that developers who receive density bonuses provide a full spectrum of affordable housing for their enhanced sites.*
- *Aspire to make meeting affordable housing requirements revenue neutral for the development community to encourage its support and participation.*
- *Substantially increase the amount of local funding available for affordable housing programs. This can be accomplished in a number of ways such as an increase in the transfer tax or contribution of funds from surpluses in the County's general fund.*
- *Create an affordable housing trust fund capitalized with the additional resources recommended above.*
- *Explore the merits of creating a community land trust whereby land and development right donations can be accepted and a land bank created.*
- *Provide sufficient resources, including adequate staff and space for County personnel in the various agencies dealing with development matters to allow for expedited review and processing of plan for developments that address affordable or full-spectrum housing.*
- *Allow for County fee waivers for full spectrum and affordable housing development and analyze the current formula for PILOTs (Payments in Lieu of Taxes) to determine if it should be adjusted.*
- *Enact legislation to create a “right of first refusal” for the County when rental projects are being sold to allow for preservation of affordable units.*
- *Increase protections for low income and elderly renters in buildings undergoing condominium conversion as have been provided in other jurisdictions through amendments to current State law.*
- *Leverage public dollars through public/private partnerships*

- *Inventory publicly owned land in the County to determine where there may be excess that can be utilized for affordable housing development.*
- *Publicize existing affordable housing tools and programs through various means, including employers.*

The Task Force offers these recommendations as a blueprint for the Transition Team of the new County administration. Its members stress that the state of affordable housing in the County is reaching crisis proportions and there is no single or easy solution; it will likely require that all of the ideas this Task Force has generated and probably many more will need to be implemented if a serious attempt is made to alleviate the crisis.

It challenges the County's advocacy groups to bring together people from all different perspectives to work on this issue. Open forums for discussion are a very necessary initial step to build consensus. Working together can be a win-win situation if everyone understands the problem, its solutions are geographically fair, and creation of affordable units can be made revenue neutral for the development community.

The Task Force recognizes that the three major development opportunity areas represented by the Routes 1 and 40 areas and downtown Columbia are the only real large scale opportunities remaining to truly mitigate the widening gap of affordable housing for the number of workers in the County who need affordable housing. If the County does not take advantage of this opportunity to increase affordable housing it will miss the chance to affirm its diversity and bolster economic growth, and risks becoming yet just another high end bedroom community.

# **THE REPORT OF THE HOWARD COUNTY TASK FORCE ON AFFORDABLE HOUSING**

The Howard County Task Force on Affordable Housing unanimously concluded that there is an undeniable gap between the need for affordable housing and the availability of affordable housing in Howard County capable of serving households with income below \$100,300, or 110% of the median County income. Given the anticipated influx of new jobs and new workers to the region it is inevitable that this gap will continue to grow unless steps are taken to ensure that enough affordable housing is developed to meet the anticipated growth in low and moderate wage jobs in the County, and that existing affordable units are preserved.

As the County transformed over the last forty years from an affordable rural place to a service rich suburb with an economically diverse work force, a full spectrum of workers often found housing that was close to jobs. The children of service workers and CEOs lived and learned together. Considerable social capital resulted. But today, this wonderful advantage has been progressively diminishing and continued diversity is unlikely.

The cost of housing in Howard County is rising at a rate and to a point that negatively impacts the County's communities, its vibrant lifestyle and its economic base. The children of current residents reaching young adulthood and starting their careers, couples just starting families, beginning public servants and those currently working in service and entry level positions in the private sector, as well as many retirees now on fixed incomes are unable to find housing they can afford. These are the children and parents of County residents, County teachers and police officers, the waiters and waitresses who serve meals, the Mall workers, the hospital workers, the people who contribute to the quality of life in Howard County in countless ways.

Although today there are fewer lower cost homes, the number of median and low wage workers continues to increase. The cost of transporting workers from outside the County is spiraling upward. It is estimated 80,000 workers commute into the County. Roads are clogged and the environment is being damaged by pollution from automobiles. In order to maintain its competitiveness and to sustain the high quality of life in Howard County, the housing and transportation needs of a diverse workforce must be addressed.

Unless there are changes to preserve existing affordable housing and to develop affordable starter homes and apartments, the County runs the risk of becoming a community of the high income and the middle aged. That was never the intent.

With strong leadership and political will, Howard County can be a more inclusive community, and ultimately a stronger, healthier community.

On a regional basis, the housing-transportation conundrum can be addressed by:

- Building more housing that fills the full spectrum of need
- Improving less desirable neighborhoods
- Improving regional mass transit

To maintain its competitiveness and meet Howard County's fair share of the regional housing need, this report looks at how the energy of the market might be harnessed with various initiatives aimed at reducing the affordable housing gap and moving closer to a full spectrum of affordable housing.

This is not an attempt to change the character of a very successful County. It is an outline of a plan for keeping and enhancing the County's advantage as it moves forward, and building upon the many positive efforts that have been made to address the affordable housing issue.

Working through two subcommittees, the Committee on Needs and Goals, and the Committee on Impediments and Resources, the Task Force examined the housing needs of County residents from the very lowest income up to 110% of County median income<sup>1</sup>, or \$100,300. Although the needs across this very wide range of incomes vary, certain data points stood out in helping to frame the issues.

### **There is an affordable housing crisis in Howard County.**

At the request of the Committee on Needs and Goals, Richard Clinch, Director of economic research for the Jacob France Institute at the University of Baltimore did an analysis to determine the current gap in the supply of affordable housing (See Appendix C for complete Clinch report). His conclusion was that there was a current deficit of 20,000 units priced to be affordable to households with incomes below \$50,000. While the Task Force (and Clinch) noted the uncertainties around data leading to this housing deficit analysis, it acknowledged that even if his conclusions overstated the problem by 100%, it would still mean there is a current deficit of 10,000 units affordable to households with income under \$50,000 -- an enormous number.

The Task Force acknowledged the efforts that have been made by the County through its Housing Commission, and by working with the nonprofit and for-profit development community to build and preserve affordable housing. Yet

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<sup>1</sup> Per the U.S. Census American Communities Survey in 2005, Howard County's median household income for a family of four is currently \$91,184 – about half of its approximately 97,000 households fall below that income level, and half are above.



despite the County's efforts, the gap between need and availability is fairly wide and continues to grow wider.

The following additional data further illustrate the current and growing crisis:

- About 68% of the current Howard County households with incomes below \$50,000 are paying more than 30% of their income<sup>2</sup> to cover basic housing costs (rent, or mortgage with escrows) a definition of "housing stress."<sup>3</sup>
- Only about 1,100 County households (slightly more than 1%) have been able to obtain rent subsidies through various programs to secure housing in the private marketplace and keep their income to rent ratio at 30%. In addition, there are about 500 Housing Commission owned rental units that have been created where the rent is calibrated to the income of the tenants. Another 2,000 households are on a waiting list for rent subsidies<sup>4</sup>. This does not represent the full level of demand for such assistance, as the list was closed in November, 2003. The County Housing Commission estimates it will take 2.5 to 3 years to provide a voucher for subsidy or a subsidized unit to those already on its waiting list.
- In the last fifteen years the private development community, alone or in conjunction with the Housing Commission, has produced about 1,200 units of low and moderate income rental housing. Very little has occurred to date to create affordable homeownership opportunities. The Commission has participated in 19 shared equity mortgages to make homeownership affordable to moderate income families, and 14 for-sale housing units have been created as a result of the Moderate Income Housing Unit development regulations implemented by the County. There are another 1,100 planned MIHU units in the pipeline – most of which appear to be rentals<sup>5</sup>.

***Despite these efforts, 70% of the County's workers do not earn enough to rent or buy in Howard County using standard affordability formulas.*** Currently 123,000 +/- (70%) of jobs in Howard County pay low or moderate income wages of under \$50,000; 92,000 of that number pay wages under \$35,000.<sup>6</sup> ***This percentage is not projected to change by 2020.***

- The starting salary of a Howard County teacher is \$40,080. Starting salary of a firefighter is \$35,868. Starting salary of a Howard County police

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<sup>2</sup> 30% of gross household income is the federal standard for housing affordability.

<sup>3</sup> Richard Clinch, Jacob France Institute, data analysis for the Task Force's Committee on Needs and Goals. See Appendix C.

<sup>4</sup> Howard County Housing Commission.

<sup>5</sup> Howard County Department of Planning and Zoning

<sup>6</sup> Jacob France Institute, based on a database of employed persons

officer is \$40,832<sup>7</sup>. At these income levels, single people beginning careers today in public service, or the children of County residents just graduating from college and getting their first job, could neither afford to rent or buy the average County apartment or home.

- Average rent in Howard County in 2005 ranged from \$961 for a one-bedroom unit to \$1,500 for a three-bedroom<sup>8</sup>. 55% of rentals are two bedroom units with an average rent of \$1,167. ***For a household to afford the average two-bedroom unit without paying more than 30% of income for housing (including utilities estimated at \$100 per unit per month), it would need annual income in excess of \$50,000.*** There are 13,200 households in the County with income less than \$50,000.
- The subsidy dollars the County has to assist with rents (about \$8 million per year from the HUD Housing Choice Voucher program) cannot stretch as far as they once did given the rising cost of rental housing. For the County to reduce an average needy family's housing burden to 30% of its income requires about \$700 per month subsidy.
- The average condominium sale for the fiscal year to date in May, of 2006 was \$273,143. Assuming a household can afford to buy a home valued at 3 times its gross income, income of \$91,000 would be needed to purchase the average condominium. Only slightly more than half the County's households can afford that price.
- The average single family home sale for the fiscal year to date (as of May, 2006) was \$485,512<sup>9</sup>. Using the same affordability rule of thumb, income of \$161,800 would be needed to purchase the average Howard County single family home. Fewer than 20% of County households have an income above that level.
- A recent survey by a Task Force member of Howard County homes listed on the MRIS multiple listing service revealed 1,733 listings. Of those, 6 homes were priced under \$150,000; 30 between \$150,001 and \$200,000; 166 were priced between 200,001 and \$300,000. ***89% of all homes listed for sale were priced above \$300,000.*** Most at the lower levels were condominiums.

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<sup>7</sup> Howard County Department of Planning and Zoning

<sup>8</sup> Howard County Consolidated Plan, FY 1006-2010.

<sup>9</sup> Ibid

**The problem is likely to grow: low wage jobs are projected to increase and the County continues to lose affordable housing stock.**

When one looks at projected job growth in the County over the next ten years and projected wage levels, jobs paying less than \$50,000 per annum are expected to grow by another 24,300 positions. Given inflation, the \$50,000 income of 2015 will buy much less housing than it will today. To support a healthy economy there is a need to support the workforce with adequate housing.

As housing is sold, affordable stock is lost. There are many people in the County with relatively modest household incomes living in housing purchased years ago that is now worth many times its original value. When that housing sells at today's prices, a unit capable of housing a comparable income family is lost. Mobile home parks, which have represented an affordable housing resource for many, are disappearing. Four have closed and one more is converting. While the fate of others is not known, due to rising land values those remaining are likely to disappear.

Conversion of multifamily apartments to condominiums could mean the loss of what has often been affordable rental housing, and there are limited protections to allow renters to stay in place if they cannot purchase.

Richard Clinch of the Jacob France Institute of the University of Baltimore was also asked to estimate the need for affordable housing units required to meet the projected employment growth in the County over the next ten and fifteen years<sup>10</sup>. He estimates more than 6,300 new dwelling units affordable to very low and moderate income households with earnings under \$75,000 will be needed by 2020 to meet the demand due to job growth. This includes at least 1,719 units with a monthly cost of less than \$800 per month and 2,499 housing units with a monthly housing cost of \$800 to \$1,499 per month by 2015. An additional 750 low income housing units and 1,307 moderate income housing units will be needed from 2015 to 2020<sup>11</sup>. (For a complete description of the methodology and conclusions to generate these numbers, see Appendix C).

**More needs to be done.**

The Task Force identified the following as primary barriers to the creation of affordable housing in Howard County:

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<sup>10</sup> The Task Force notes that Clinch used the most conservative assumptions in drawing his conclusions on anticipated need. Many on the Task Force feel that the real anticipated need is understated.

<sup>11</sup> See Clinch report, Appendix C. This, of course, assumes that everyone can and will spend 30% of household income for housing. Given that many people need to or choose to spend less than 30% and higher income families may well occupy housing affordable to lower income families, the need for units would actually be higher. Note the discrepancy between Clinch's definition of low/mod families and that of the Task Force.

- The very high cost of land due to increasing scarcity of developable parcels. The County's Department of Planning and Zoning estimates ***there is only sufficient residentially zoned land left to develop about 13,000 housing units based on current zoning and the average yields derived***, based on historical development data.
- Government regulations and procedures, including zoning and permitting processes, have not kept pace or been updated to handle the changing state of housing and development in the County.
- The administrative process for approval of new development involves multiple layers of approval and multi-agency reviews and is time consuming. The volume of work is greater than the capacity of existing County staff. The County needs tools to expedite the work and sufficient resources, staff and space to do its work in an efficient and timely manner.
- Growth control mechanisms such as the County's Housing Allocation system which limit supply without addressing demand contribute to increased housing costs.
- Insufficient public funds dedicated to housing.
- Limits on the authority and powers of the County Housing Commission/and or Housing Department to intervene or initiate affordable housing preservation or development opportunities.
- NIMBYism (public outcry opposing development known as "Not in My Back Yard").

The Task Force's recommendations address these impediments. New development *and* preservation strategies are needed. The recommendations are designed as a blueprint or foundation for change. They include a number of affordable housing tools, all of which will be needed to achieve the goal of providing a *full spectrum of affordable housing opportunities* throughout the County for today and tomorrow. The recommendations can be implemented in a variety of ways – there is no one perfect answer.

### **There is no silver bullet; no magic wand exists.**

There is no silver bullet and no magic wand to wave. If the County is serious about this problem, changes and some hard decisions need to be made. The Task Force agreed on a list of strategies that could be implemented in the short term to begin to address the problem. Each of the recommendations needs additional time to identify the mechanics, and to make legislative language change suggestions. The Task Force challenges the County's political leadership to use this report to convene small groups under the auspices of the Housing and

Community Development Board to add the detail to each recommendation and report back with a plan for implementation, understanding there is no one individual solution, but an ongoing series of solutions that are needed. Absent radical changes, the affordable housing problem cannot be solved, but there are things that can be done, and should be done to mitigate it.

### **The County needs to do its fair share.**

This is not just a local problem, but a regional problem. The Task Force endorses the concept of “fair share” housing. While it understands that not all those working in the County will reside in the County, *if the County has sufficient housing affordable at the various wage levels represented by its employment base, it will have done its fair share in providing housing for workers in the region.* The County should challenge its neighbors to adopt a similar approach. ***The County must aspire to provide a full spectrum of affordable housing in sufficient numbers and at appropriate price points to house the workers represented by the range of income levels in the County.***

The changes recommended by the Task Force fall into three general categories -- administrative, legislative, and resource development.

### **Recommendations to be considered:**

- ***Take advantage of immediate opportunities to create the full spectrum of affordable housing.***

The County Department of Planning and Zoning estimates, based upon current average development yields that remaining undeveloped land could yield about 13,000 housing units. Therefore, every opportunity must be seized to assure future development includes affordable units. There remains only limited time to address the affordable housing problem for the future; the opportunity should not be squandered.

There are some immediate opportunities before the County and taking advantage of them is paramount. Plans for redevelopment of three areas – Columbia Town Center, the Route 40 corridor, and the Route 1 corridor -- provide perfect opportunities to try some innovative approaches through use of zoning overlays, density bonuses, and mixed use development. In particular, proposals for redevelopment of downtown Columbia represent a substantial density bonus and in return for this development bonus, a full spectrum of affordable housing should be negotiated.

The County has also been very innovative in its planning approach to the Route 1 corridor redevelopment and the Task Force encourages such innovation elsewhere.

***The Task Force challenges the County to make provision of a full-spectrum of affordable housing a goal***, particularly in its planning efforts now underway in the three identified opportunity areas. Full-spectrum affordable housing is defined as housing at a full range of price points in proportion to the affordability of the existing and projected workforce. Mixed income communities as opposed to concentrations of low income housing are the goal.

➤ ***Review zoning, the Moderate Income Housing Unit program (MIHU) and the housing allocation system***

Current zoning does not have enough overlays, and zoning, subdivision and bulk regulations limit creative approaches to use of land for housing. Given the job growth projections, zoning changes need to be made throughout the County, encouraging building and redeveloping at higher densities, and broadening the ability to add housing units to commercial sites and selected residential sites. Along with rezoning, the County's parking requirements and bulk requirements should be examined. Bulk regulations and prohibitions on housing in certain zoning categories are also impediments to more creative solutions to housing and mixed uses.

While the County's Moderate Income Housing Unit program has been expanded to ten zoning districts, and the housing allocation chart has been changed to add 100 additional MIHUs for one and two bedroom unit development, the MIHU program has not and will not solve the affordable housing problem if used as a single tool. Supply and demand are out of sync. The MIHU program has certainly helped by creating a pipeline of nearly 1,100 affordable housing units to be built, but it should be amended to apply to not just new construction but also conversions of property from rental to condominium ownership, or major modifications to existing property, MIHU units should also be required in return for any density bonuses granted by the County.

Additionally, consideration should be given to other mechanisms to encourage affordable housing development beyond the requirements of the MIHU program. For instance, allowing existing homeowners to create additional small rental units on a wide range of existing lots might produce an income stream for the owners, particularly seniors, and increase the available stock of small affordable rental units. MIHU should be just one of many tools in the affordable housing toolbox.

The County's housing allocation system designed to control and manage growth allows development of only 1,850 units per year, and at that level is too restrictive to begin to make a dent in keeping up with the affordable housing gap as it grows. Housing is further limited by the tests required under the Adequate Public Facilities legislation resulting in actual development well under the approved annual allocations. In order to encourage a market-based approach to providing

full-spectrum housing, there must be requirements to do so and developers will need to be given incentives with density bonuses. ***There need to be additional affordable housing allocations over and above the current allocations for units above 110% of the County median household income.***

Density bonuses will likely be needed as incentives to produce affordable housing by helping make affordable housing development revenue neutral to the development community. Density bonuses should carry with them the requirement for a full spectrum of affordable housing for the enhanced sites.

***Development of units that meet affordable housing criteria should be excluded from the cap.*** That is, housing that will be affordable at specified income levels – either homeownership or rental – should be able to move forward regardless of the status of allocations for the location.

- ***Substantially increase the amount of local money available for housing, and develop other resources***

Preservation of affordable housing or development of new affordable housing, particularly rental housing, requires public subsidy. The funding available to the Department of Housing and Community Development or the Housing Commission in Howard County is wholly inadequate to meet the need for development subsidies or to take advantage of preservation opportunities. Other sources of money must be found and dedicated to affordable housing.

The County's Department of Housing and Community Development and its Housing Commission are forward-thinking and innovative. They have done a good job with very limited resources. The Department's funds come primarily from shrinking and restrictive Federal entitlement programs, and 1/8 of the County's share of transfer taxes which yielded \$4 million last year, the most ever due to the historically busy housing market of the last several years. Now that the market is experiencing a downturn, proceeds from the transfer tax will likely be less.

The Task Force noted the County currently collects only 1% in transfer tax on real estate transactions; State law would allow up to 1.5%. ***Raising the transfer tax to the full allowable amount and dedicating the additional funds to housing would increase available funds by another \$16 million annually.*** If the County is unwilling to raise the transfer tax, it should look at dedicating other resources such as surpluses in the general fund. Regardless of the source, the financial commitment must be significant and ongoing.

The County currently provides PILOTs (Payments in Lieu of Taxes) for many affordable housing developments. Its formula should be reviewed to determine if adjustments would ease some of the burden of operating affordable housing and spur more development.

It doesn't always take dollars. Development incentives can help reduce the need for direct subsidies. Reduction or waiving of some of the County processing and development fees would also help. Housing built by the Housing Commission should automatically receive fee waivers. Some who have had experience with inclusionary zoning elsewhere in Maryland have indicated that with the right incentives, development of affordable housing can be made revenue neutral. This should be the County's goal.

➤ ***Create an affordable housing trust fund***

Howard County should be in the forefront on the affordable housing issue in this state. While some things have been done in the County to date to address the issue and there have been changes, this is just a start. The County needs to be positioned to move aggressively when development and preservation opportunities arise. The processes of government are slow and the ability of the Housing Commission or the Department of Housing and Community Development to act in a timely manner is constrained by the need to obtain legislative approvals. For instance, the Commission has not fully utilized the tax exempt bond cap available to the County, likely due to bureaucratic difficulties. The obstacles to use of bond financing should be evaluated to make this resource more accessible.

While more administrative latitude for the County's agencies would be a good thing, and a thorough review of the Housing Commission's charter is probably in order to modernize it, many other jurisdictions have created affordable housing trusts to preserve affordable housing at risk of being lost and to participate in the development of new housing. A housing trust could also be tied to a community land trust with the ability to buy, accept donations and hold land, participate in development and to create long-term affordability mechanisms.

Resources in an affordable housing trust fund could be utilized for a complete menu of programs that would help provide affordable rental and homeownership opportunities. Some of the items on the menu might include preferential development financing for both new construction and renovation projects that meet affordability goals; shared equity mortgages for low and moderate income buyers; down payment and settlement loan funds for first time home buyers; or intervention buying to preserve affordability. A pool of funds for these activities might in turn free up some of the County's Federal entitlement program money to provide tenant based rental assistance through the Federal HOME program.

There is some indication that the State may increase resources available to a statewide housing trust fund and that allocations to local jurisdictions will have to be matched. The County should position itself to participate. Montgomery County's Housing Initiative Fund should be looked at as a model.



➤ ***Time is money. Government should not add substantially to the costs of developing affordable housing.***

The Task Force acknowledged that one of the impediments to creating affordable housing is a variety of costs, most of which are not controllable, but some of which are. The County could provide expedited plans' processing for projects which meet the goal of "full spectrum" affordable housing. Resources for the Department of Planning and Zoning would need to be, and should be increased to allow for this. The review and processing systems should be examined to determine where economies can be achieved. Reduction or forgiveness of permit fees is another area that should be examined when affordable housing is being created. One developer reported in excess of a quarter million dollars in permit fees for a moderately sized elderly affordable housing project.

➤ ***Look at other models***

Other jurisdictions have tried to grapple with this same problem. Neighboring Montgomery County has developed some solutions that appear to be helping. Its Housing Initiative Fund, essentially an affordable housing trust fund, could be duplicated. In addition, the Montgomery County Housing Opportunities Commission has a 60 day right to match a purchase offer on multifamily housing built before 1981, giving it a chance to preserve affordable rental housing. And it has provisions for condominium conversion fees to be paid when rental housing is converted which helps build resources and acts as a deterrent to conversion.

Baltimore City and some other jurisdictions have expanded State protections for some low income or elderly tenants in rental properties being converted to condominiums. Similar protections should be considered for Howard County renters.

A number of jurisdictions have demonstrated unique housing products to make housing affordable yet compatible with higher priced housing in the same vicinity. The Housing Commission should take the lead in developing some of these housing product types to illustrate for the development community and the citizens of the County how this can be done.

➤ ***Leveraging is required***

Public/private partnerships in the development of affordable housing and the preservation of affordable units need to be encouraged and utilized as a way to leverage public dollars. Neither sector can solve this problem alone.

➤ ***What is in the County's control?***

Public land in the County should be inventoried to determine where there is excess land that might be dedicated to housing development, and the current

undeveloped lot inventory needs to be re-examined to determine its accuracy and to do a realistic assessment of what remaining developable land would likely yield. It would appear, based upon the Department of Planning's latest projections, about 13,000 units could still be built on undeveloped property based on the average yield the County has seen. How many of these units could reasonably be expected to become part of the affordable housing inventory?

The County should make a concerted and ongoing effort to publicize the affordable housing programs that currently exist and work with major employers to make this information available to their employees.

The Task Force recommends that the existing advisory Housing and Community Development Board which meets regularly and which could appoint smaller committees be tasked to oversee committees that will examine the ideas in more detail to develop detailed work plans to implement recommendations in this report.

## **Conclusion**

The above recommendations represent some of the Task Force's short term approaches. It presents them with the hope the Robey administration will endorse them and provide them as a blueprint for the Transition Team of the new administration expected to take office at year's end. The Task Force acknowledges that political will and public support generally go hand-in-hand.

A number of the recommendations in this report are controversial. Any additional density is often seen as increasing traffic, adding to school overcrowding and harming the quality of life in the County. Affordable and workforce housing is often thought to lower property values. Clearly these concerns must be discussed and addressed. Additional public discourse and debate is needed to ensure the citizens of the County are given an opportunity to understand the nature of the affordable housing problem and the need to address it for the continuing economic health of the County.

The connection between housing and traffic, whether originating or flowing through the County, needs to be better understood. The effect on schools needs to be explored. Most importantly the need for compromise and action must be made clear.

Howard County is now one of the wealthiest population centers in the country. The power of its wealth and the will of its citizens must be harnessed if it is not to become exclusive in the sense of excluding all those who don't meet an income qualification well beyond that of its own public service workers. The Task Force concedes the current affordable housing deficit probably cannot be erased, but through aggressive action, the County can implement measures so it does not get worse and assure a continued diversity and vitality in the community.

It can be a win-win situation if everyone understands the problem, its solutions are comprehensive, equitable, and implemented in a fair and open manner. Open public discussion and education on the affordable housing situation in the County, independent of specific land use actions or decisions will be critical, and a necessary step to build a platform for consensus. Consequently, the Task Force concluded the County's advocacy groups need to be engaged to bring together people from all different perspectives and to hold public forums to discuss the affordable housing crisis and these recommendations.

More work needs to be done. Each idea presented requires a thoughtful implementation plan to develop more specific and concrete changes. This is a beginning point, not an end. People on the Howard County Affordable Housing Task Force are committed to seeing this move to the next stage. All homes need a foundation, walls and a roof, but the final design, location and finishes will vary to reflect personal taste, financial abilities, and geological or structural realities. So, too, Howard County's implementation of the Task Force's recommendations will require additional work to add detail and specificity based on public and private priorities, resources and commitment.

Nevertheless, the final implementation must include all the tools in the toolbox to ensure Howard County is a place everyone can come home to!

## APPENDIX A

### MEMBERSHIP ON THE TASK FORCE

Kevin J. Kelehan, Chair  
Lenneal J. Henderson, Facilitator

#### Committee on Needs and Goals

Timothy Sosinski, Chair  
Lenneal J. Henderson, Consultant  
Robert L. Brownell  
Robert Buchmeier  
Larry Kraemer  
Carole MacPhee  
Thomas O'Connor  
William A. Ross, Sr.  
Rita Sallam  
Murray Simon  
Kirk Thompson  
George Walgrove  
James E. Young

#### Committee on Resources and Impediments

Earl Armiger, Chair  
JoAnn Copes, Consultant  
Roy Appletree  
Peter Engel  
Chickie Grayson  
Sherman Howell  
Kevin J. Kelehan  
Maria Miller  
Christopher L. Rachuba  
Nancy Rase  
Paul M. Revelle  
Patricia Sylvester  
Robert Turner

#### Resource Staff

Leonard Vaughan  
Neil Gaffney  
Marsha McLaughlin  
Stephen Lafferty

## **APPENDIX B**

### **DEFINITIONS**

#### **Income Groups**

Utilizing data from the U.S. Census Bureau's American Communities Survey in 2005, it was determined the Howard County median household income for a family of four is \$91,184. Based upon this information, the Task Force developed the following household income definitions and the resident households about whom this report is written. Their numbers represent about 55% of Howard County households.

Very low income (under 30% of median – 7% of households)	Below \$27,355
Low Income (31% to 60% of median – 16%)	Above \$27,355 to \$54,710
Moderate Income (61% to 80% of median – 15%)	Above \$54,710 to \$72,947
Middle Income (81% to 110% of median – 17%)	Above \$72,947 to \$100,302

#### **Housing Affordability**

Based upon the above income levels, and utilizing the typical housing affordability standard that a household's housing expense should not exceed 30% of its gross income, the various income groups could afford to pay the following on a monthly basis for housing:

Very low income	From \$ 0 to \$684 (avg - \$342)
Low Income	From \$685 to no more than \$1,368 (avg - \$1,027)
Moderate Income	From \$1,369 to no more than \$1,824 (avg - \$1,597)
Middle Income	From \$1,825 to no more than \$2,508 (avg - \$2,167)

#### **Purchasing Power**

Assuming a 30 year mortgage at 6.5% interest, the above income groups could afford monthly housing payments, and those monthly payments would support mortgages as follows. This analysis overstates affordability somewhat in that the monthly payment would have to include taxes and insurance which would reduce the amount of mortgage that could be carried.

\$684 per month (very low income at 30% of median)	\$129,000
\$1,368 per month (low income at 60% of median)	\$237,500
\$1,824 per month (moderate income at 80% of median)	\$309,600
\$2,508 per month (middle income at 110% of median)	\$417,800

## APPENDIX C

### **Affordable Housing in Howard County**

October 8, 2006

**By Richard Clinch**

Director of Economic Research  
The Jacob France Institute  
the University of Baltimore

#### **Introduction**

The Affordable Housing Task Force empanelled by County Executive James Robey retained Richard Clinch, Director of Economic Research at the University of Baltimore's Jacob France Institute to quantify, to the extent feasible given existing data, some of the issues related to the current affordable housing situation in Howard County. The specific tasks requested by the Affordable Housing Task Force were to:

- a) Attempt to duplicate the analysis prepared in the *Fair Share Housing In the Atlanta Region* report produced by the Georgia Tech City and Regional Planning Department using Howard County data;
- b) Analyze, using readily available information, current affordable housing supply and demand conditions in the County; and
- c) Describe the information needed to conduct a more thorough assessment of the affordable housing situation and to monitor the County's progress in improving the availability of affordable housing.

In spite of the limited time and resources, every attempt was made to base this analysis on reasonable assumptions; however, more and better data is required to more accurately assess the spectrum of housing need. This analysis provides a "reasonable first cut" view on future demand if the existing housing stock could be retained, rather than the final and detailed assessment of the affordable housing situation in the County. Missing from this analysis is the profound affect on the affordable housing supply when residents age out of their currently affordable housing units. As this happens, the stock of units that are currently serving low and moderate income households who purchased the units at affordable prices, become part of the stock that can only be afforded by upper income households.

#### **Overview of the Affordable Housing Situation in Howard County**

There is a general consensus that the rapid growth in the cost of housing is pricing an increasing number of people out of the County. As a result of the demand created by the County's quality schools, attractive quality of life and central location, housing prices

have appreciated significantly over the past several years. As presented in Table 1, between 2001 and 2005, the median sale price for a condominium has increased by 158%, the median sale price for a single family attached home has appreciated by 100% and the median sale price for a single family detached home has appreciated by 71% since 2001. In contrast, median household income in the county has increased by only 17%. Based on these numbers alone, it is clear that housing is becoming less affordable. However, when housing prices are compared to the level of income required to purchase housing, the housing affordability situation becomes far worse. Using the generally accepted rule of thumb that a household can purchase a dwelling costing 2.5 times their income, in 2005, a household income of \$92,908 is required to purchase the median condominium, a household income of \$124,000 is required to purchase the median single family attached home, and a household income of \$202,051 is required to purchase the median single family detached home. In 2001, a household earning less than half of the county's median income could purchase the median condominium and a household earning 79% of the county's median income could purchase the median single family attached house. In contrast, a household income slightly over the county median is now required to purchase the median condominium and more than twice the county median household income is required to purchase the median single family detached home.

**Table 1**  
**Median Household Income and Housing Sales Price**

Item	2001	2005	% Change
Median Household Income <sup>1</sup>	\$78,189	\$91,184	17%
Median Sales Price (by Type) <sup>2</sup>			
Condo	\$89,900	\$232,270	158%
Single Family Attached	\$155,000	\$310,000	100%
Single Family Detached	\$294,990	\$505,128	71%
Required Household Income to Purchase <sup>3</sup>			
Condo	\$35,960	\$92,908	
Single Family Attached	\$62,000	\$124,000	
Single Family Detached	\$117,996	\$202,051	
Required Household Income as a % of Median			
Condo	46%	102%	
Single Family Attached	79%	136%	
Single Family Detached	151%	222%	

(1) U.S. Bureau of the Census - 2001 from SAIPE 2005 from ACS.

(2) Howard County Development Monitoring System Report. Mobile Homes are excluded since only 31 have been sold since 2000.

(3) A general rule of thumb is that a family can purchase a home that costs 2.5 times income.

Based on these numbers, it is clear that few of the people who contribute to Howard County's quality of life, teachers (average 2004 earnings of \$51,336), police officers (average 2004 earnings of \$65,049), and firemen (average 2004 earnings of \$60,804), have sufficient income to purchase housing in our County. Nor do the low wage workers, filling the many low-to-medium skill jobs providing services to county residents or working at local employers.

Given the rapid growth in housing values, it is not surprising that an increasing number of county residents are struggling to make ends meet. The U.S. Department of Housing and Urban Development defines housing as affordable when families (in this, case households) pay no more than 30% of annual income for housing. When families pay more than 30% of income on housing they are "cost burdened" and may have difficulty affording other necessities such as food, clothing, transportation and medical care. Thus, families or households are considered to be experiencing "housing stress" when they devote more than 30% of income to housing costs. As presented in Table 2, in



2004, a large number of county households, 26% or 25,147 households, spend more than 30% of income on housing. Eighty-two percent (82%) of households earning less than \$20,000 are cost burdened, as are 65% of households earning \$20,000 to \$34,999 and 56% of households earning \$35,000 to \$49,999. Two-thirds of households earning less than \$50,000 are cost burdened. Forty-one percent (41%) of all renters in the county are cost burdened. Clearly, high housing costs are causing many residents to be cost burdened.

**Table 2**  
**Housing Expenses as a Percentage of Income in Howard County, 2004**

	Total	Less than 20 percent	20 to 29 percent	30 percent or more	% of Homeowners "Stressed"
Total Housing Units	<b><u>97,261</u></b>	<b><u>46,260</u></b>	<b><u>25,797</u></b>	<b><u>25,147</u></b>	<b>26%</b>
Less than \$20,000	9,231	1,026	517	7,578	82%
\$20,000 to \$34,999	6,554	840	1,510	4,287	65%
\$35,000 to \$49,999	11,167	1,780	3,143	6,289	56%
\$50,000 to \$74,999	15,594	4,082	7,661	3,791	24%
\$75,000 or more	54,715	38,532	12,966	3,202	6%
Owner Occupied	<b><u>71,577</u></b>	<b><u>39,582</u></b>	<b><u>17,322</u></b>	<b><u>14,745</u></b>	<b>21%</b>
Less than \$20,000	2,720	358	286	2,004	74%
\$20,000 to \$34,999	4,151	429	1,074	2,720	66%
\$35,000 to \$49,999	6,800	1,575	1,217	4,080	60%
\$50,000 to \$74,999	9,806	3,722	2,935	3,149	32%
\$75,000 or more	48,100	33,498	11,810	2,792	6%
Renter Occupied	<b><u>25,684</u></b>	<b><u>6,678</u></b>	<b><u>8,476</u></b>	<b><u>10,402</u></b>	<b>41%</b>
Less than \$20,000	6,511	668	231	5,573	86%
\$20,000 to \$34,999	2,403	411	437	1,567	65%
\$35,000 to \$49,999	4,367	205	1,926	2,209	51%
\$50,000 to \$74,999	5,788	360	4,726	642	11%
\$75,000 or more	6,615	5,034	1,156	411	6%

Source: U.S. Bureau of the Census, ACS 2004

### **Estimates of the Need for Affordable Housing in Howard County**

The Affordable Housing Task Force requested that this analysis attempt to duplicate the analysis prepared in the *Fair Share Housing In the Atlanta Region* report using available Howard County data. This was accomplished using 2004 American Community Survey data from the U.S. Bureau of the Census. This analysis differs from the Atlanta report in several significant ways: a) it only looks at housing conditions in occupied housing units, not all housing units; b) it only looks at housing in one county, not an entire region; and c) some data were extrapolated based on state rather than county level data.

The *Fair Share Housing in the Atlanta Region* report analyzes the supply and demand for affordable housing in the Atlanta metropolitan area using 2000 Census data. The Atlanta report calculated housing demand based on household income data. The ability to pay for housing was estimated based on income levels and the 30% affordability level for key Census income levels. Housing demand consisted of the demands for persons who should be consuming housing at each affordable level, plus households choosing to spend less than 30% of their income on housing in each housing expense category, based on census Public Use Micro Sample (PUMS) data. The supply of housing for each price-level was estimated based on Census housing information.

The Howard County analysis conducted here uses a similar methodology to calculate the supply and demand for housing using 2004 American Community Survey (ACS) data.<sup>12</sup> Like the Atlanta analysis, housing demand was estimated using a two-step process. For each of the key ACS income categories, the ability to pay for housing was estimated based on the “optimum” 30% of income level. Households were then allocated into “optimal housing demand” classifications based on either their ability to pay, capped at 30% of income, or their actual consumption. Thus, for each housing price level, estimated demand consists of those residents demanding housing at the maximum of 30% of income level, plus all residents with higher incomes choosing to spend less than 30% of their income on housing.<sup>13</sup> In this demand analysis, no household spends more than 30% of income on housing. Housing supply was estimated as the number of households consuming housing at each price level. The results of this analysis are presented in Table 3.

As presented in Table 3, based on this analysis, Howard County has a surplus of housing costing \$1,000 or more a month and a deficit of housing at all lower cost levels. In order to balance housing supply and demand based on this analysis, Howard County needs more than 12,000 housing units costing less than \$400 per month, and 8,700 units costing \$400 to \$999 per month. While this analysis provides a basic understanding of the mismatch between housing and supply, it ignores some basic fundamentals of the housing market. Housing, especially owner occupied housing, is a long lived asset. In order to balance supply and demand using this framework, households would need to constantly move as their incomes rise and fall in order to consume housing at the “optimal”, 30% of income level. As we all know, few homeowners or renters move each time their income rises or falls. Still, this analysis provides an initial estimate of the gap between supply and demand of affordable housing.

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<sup>12</sup> At the time of this analysis the 2005 American Community Survey (ACS) housing data were not available. One important difference between this and the Atlanta analysis is the ACS data is on the spending by household, not separate supply and demand. Thus, supply and demand are forced to be equal in aggregate.

<sup>13</sup> The share of households consuming housing at less than 30% of their income was estimated based on State of Maryland PUMS data from the 2004 ACS. Households were sorted into their actual consumption levels based on PUMS data. Thus, it is assumed that Howard County residents housing consumption decisions are similar to the State as a whole.

**Table 3**  
**County Supply and Demand for Housing**

Income	Monthly Payment Ability	Total Dwelling Units			"Optimal" Housing Demand <sup>1</sup>	Surplus/ Defecit
		Owner Occupied	Renter Occupied	Total Units		
Less than \$15,000	Less than \$300	2,076	2,671	4,747	11,034	(6,287)
\$15,000 to \$19,999	\$300-\$399	1,288	668	1,956	7,758	(5,802)
\$20,000 to \$24,999	\$400-\$499	4,366	205	4,572	5,311	(739)
\$25,000 to \$34,999	\$500-\$799	6,084	2,337	8,421	12,668	(4,247)
\$35,000 to \$49,999	\$800-\$999	4,080	4,135	8,215	11,969	(3,754)
\$50,000 to \$74,999	\$1,000-\$1,499	17,322	10,685	28,006	21,502	6,504
\$75,000 and Above	\$1,500 and Above	36,361	4,983	41,344	27,020	14,324
Total		71,577	25,684	97,261	97,261	n.m.

(1) Based on Howard County households and Maryland housing demand patterns.

Source: The Jacob France Insitute

### **Two Alternative Employment Based Estimates of Low to Middle Income Housing Supply and Demand**

The above analysis duplicates the *Fair Share Housing In the Atlanta Region* report's analysis using available Howard County data and yields one estimate of the "affordable housing gap" in the county. A second goal of this analysis was to develop alternative estimates of affordable housing supply and demand based on County employment. Two new analyses of affordable housing supply and demand were conducted based on employment in the county:

1. How many low and middle income housing units are required to meet the expected employment growth in the County; and
2. How many low and middle income housing units are required for Howard County to provide its "fair share" of housing in terms of providing sufficient low and middle income housing units to meet the demand created by low and middle income jobs in the County.

The first step in both analyses was to estimate the number of low and middle income jobs in the County. This was accomplished using data on total county employment in 2004 and 2005 and projected employment in 2010, 2015 and 2020 from the Howard County and Maryland Departments of Planning. In order to analyze employment by earnings level, the Jacob France Institute used a database of actual employment and earnings for county employees. The annual earnings of actual county employees in 2004 were used to estimate the breakdown of employment, by earnings level, for all jobs in Howard County. This 2004 breakdown was used to estimate employment by earnings level for 2005, 2010, 2015 and 2020.<sup>14</sup> The results of this

<sup>14</sup> Future years incomes are in constant dollars.

analysis are presented in Table 4. As described in Table 4, 52% of jobs in Howard County can be classified as low income (less than \$35,000 per year), 33% as middle income (\$35,000 to \$74,999) and 15% as high income (\$75,000 or greater).

**Table 4**  
**Howard County Employment By Estimated Annual Earnings**

	2000	2004	2005	2010	2015	2020
<b>Estimated Employment-Based Housing Demand</b>						
<b>Employment Projections (Total Jobs)<sup>1</sup></b>	<b>160,732</b>	<b>175,136</b>	<b>176,800</b>	<b>195,296</b>	<b>211,696</b>	<b>226,920</b>
<b>Employed Persons by Estimated Annual Wages<sup>2</sup></b>						
<b>Lower Income</b>	<b>83,941</b>	<b>91,464</b>	<b>92,333</b>	<b>101,992</b>	<b>110,557</b>	<b>118,508</b>
Less Than \$10,000	26,060	28,396	28,665	31,664	34,323	36,792
\$10,000 - \$14,999	11,540	12,574	12,694	14,022	15,199	16,292
\$15,000 to \$24,999	23,684	25,807	26,052	28,777	31,194	33,437
\$25,000 to \$34,999	22,657	24,687	24,922	27,529	29,841	31,987
<b>Middle Income</b>	<b>52,393</b>	<b>57,088</b>	<b>57,631</b>	<b>63,660</b>	<b>69,005</b>	<b>73,968</b>
\$35,000 to \$49,999	28,120	30,640	30,931	34,167	37,036	39,700
\$50,000 to \$74,999	24,273	26,448	26,699	29,492	31,969	34,268
<b>Upper Income</b>	<b>24,398</b>	<b>26,584</b>	<b>26,836</b>	<b>29,644</b>	<b>32,133</b>	<b>34,444</b>
\$75,000 to \$99,999	11,738	12,790	12,912	14,262	15,460	16,572
\$100,000 and Above	12,659	13,794	13,925	15,382	16,673	17,872

(1) From Maryland Office of Planning (2004) and Howard County Department of Planning (2005-2015).

(2) From Jacob France Institute -- Based on a database of employed persons.

Source: The Jacob France Institute

This estimate of employment by earnings level was used to prepare two alternative estimates of low and middle income, employment-driven housing supply and demand. The first analysis estimates how many low and middle income housing units are required to meet expected growth in Howard County employment. The second analysis estimates the “fair share” of low and middle income housing required to locally house all low and middle income workers employed in the County.

Housing is consumed by families and households.<sup>15</sup> Some of these are single worker families, some are dual income families with both parents working, some are families with one or more parents and children working, some are households of unrelated individuals. Thus, it was necessary to convert jobs into households and, for the first analysis, households residing in Howard County. There is insufficient data available to precisely convert jobs into households. Thus, both of the analyses below are based on simplifying assumptions for which data are available. Every attempt was made to base these analyses on reasonable simplifying assumptions, but all assumptions made are

<sup>15</sup> This analysis is based on households, some of which are traditional families others of which are aggregations of un related individuals.

clearly subject to debate. Unfortunately, more complete data on which to base these analyses are not available at this time. Again, it is the goal of this analysis to provide a reasonable first order estimate given that the data required for a more complete analysis are simply not available from existing sources.

#### Analysis 1: Low and Middle Income Housing Needed to Meet Employment Growth

The first new analysis estimates future demand for low and middle income housing based on projected employment growth. To produce a reasonable estimate of low and middle income housing demand and growth in demand created by Howard County employment, a number of simplifying assumptions needed to be made based on available data. For low income employment-based housing demand, four data conversions of the employment data in Table 4 were required:

1. In order to exclude low income jobs held by teenagers, the jobs held by persons under 20 years of age (the only age classification available from the ACS) were excluded;
2. In order to convert jobs into households, the employment figure was divided by 2, the national number of jobs per household;
3. In order to estimate demand by Howard County residents, it was necessary to include the low income jobs held by county residents. This was estimated at 40% based on 2000 Census data available from the Maryland Office of Planning; and
4. Because households with multiple wage earners have higher incomes that may move them out of the low income classification, it was necessary to determine a means of excluding households with higher incomes. There is a lack of information on the earnings distributions of wage-earners within families. Thus, a simplifying assumption needed to be made. This analysis excludes all low income households with more than one wage earner. It was assumed, probably incorrectly, that two incomes would move a family out of the \$35,000 upper income limit for this definition of low income. All two income, low income worker families were assumed to be middle income households for the purposes of this study.

Based on these assumptions, it was assumed that in 2005, 8,708 housing units were occupied by low income workers employed in the county. Based on projected employment growth and the assumptions stated above, it was estimated that 911 more low income units (\$799 per month or less) were required to meet the demands created by 2005-2010 employment growth, 1,719 more low income units were required to meet the demands created by 2005-2015 employment growth, and 2,469 more low income units were required to meet the demands created by 2005-2020 employment growth.

In order to estimate middle income employment-based housing demand, three data conversions of the employment data in Table 4 were required:

1. In order to convert jobs into households, the employment figure was divided by 2, the national number of jobs per household;

2. In order to estimate demand by Howard County residents, it was necessary to include the middle income jobs held by county residents. This was estimated at 37% based on 2000 Census data available from the Maryland Office of Planning;
3. Because households with multiple wage earners have higher incomes that may move them out of the middle income classification, it was necessary to determine a means of excluding households with higher incomes. There is a lack of information on the earnings distributions of wage-earners within families. Thus, a simplifying assumption needed to be made. This analysis excludes all middle income households with more than one wage earner. It was assumed, probably incorrectly, that two incomes would move a family out of the \$75,000 upper income limit or this definition of low income. All two income, low income families were assumed to be middle income households and added to the demand for middle income housing.

**Table 5**  
**Estimated Housing Demand, For Low and Middle Income Workers**

	2004	2005	2010	2015	2020
<b><u>Estimated Low Income Housing Demand - From Howard County Resident Workers</u></b>					
Low Income Jobs	91,464	92,333	101,992	110,557	118,508
Estimated Share Held by those 20 and younger <sup>1</sup>	7%	7%	7%	7%	7%
Low Income Jobs Held by Residents 20 and Older	85,336	86,147	95,159	103,150	110,568
Jobs Per Household <sup>2</sup>	2.0	2.0	2.0	2.0	2.0
Low Income Job Households	45,732	46,166	50,996	55,279	59,254
Low Income Jobs Held By County Residents <sup>3</sup>	40%	40%	40%	40%	40%
Low Income County Resident Employment	18,293	18,467	20,398	22,111	23,702
Estimated Percentage in Single Worker Households <sup>1</sup>	47%	47%	47%	47%	47%
<b>Estimated Low Income Housing Demand From Resident Workers</b>	<b>8,626</b>	<b>8,708</b>	<b>9,619</b>	<b>10,427</b>	<b>11,177</b>
Estimated Low Income Housing Units Required			911	1,719	2,469
<b><u>Estimated Middle Income Housing Demand - From Howard County Resident Workers</u></b>					
Middle Income Jobs	52,393	57,088	57,631	63,660	69,005
Jobs Per Household <sup>2</sup>	2.0	2.0	2.0	2.0	2.0
Middle Income Job Households	26,197	28,544	28,815	31,830	34,503
Middle Income Jobs Held By County Residents <sup>3</sup>	37%	37%	37%	37%	37%
Middle Income County Resident Employment	9,693	10,561	10,662	11,777	12,766
Estimated Percentage in Single Worker Households <sup>1</sup>	47%	47%	47%	47%	47%
Middle Income Single Worker Households	4,571	4,980	5,028	5,554	6,020
Low Income Two Worker Families (from above estimate)	9,667	9,759	10,779	11,685	12,525
<b>Estimated Middle Income Housing Demand</b>	<b>14,237</b>	<b>14,739</b>	<b>15,807</b>	<b>17,238</b>	<b>18,545</b>
Estimated Middle Income Housing Units Required			1,068	2,499	3,806

(1) U.S. Bureau of the Census - American Community Survey

(2) National multiplier - Jobs from U.S. Bureau of Economic Analysis, Households from U.S. Bureau of the Census - American Community Survey

(3) Maryland Department of Planning -- Based on 2000 Census - Commutation Data Census Transportation Planning Package (CTPP)

(4) Actual Number of 2004 Households - from U.S. Bureau of the Census - American Community Survey.

Source: The Jacob France Institute

Based on these assumptions, it was assumed that in 2005, 14,739 housing units were occupied by middle income workers employed in the county. Based on projected employment growth and the assumptions stated above, it was estimated that 1,068 more middle income units (\$800 to \$1,499 per month) were required to meet the demands created by 2005-2010 employment growth, 2,499 more middle income units were

required to meet the demands created by 2005-2015 employment growth, and 3,806 more middle income units were required to meet the demands created by 2005-2020 employment growth.

The above analysis estimates the number of low and middle income housing units required to meet the new demand that could potentially be created by projected employment growth in the County. It is important to note that this estimated demand for housing is only one component of demand for low and middle income housing. It does not include demand from potential residents who do not work, who work outside of the county, or are exiting the workforce (i.e. retiring). Thus, this analysis represents only a portion of the demand for low and middle income housing in the county.

Once the level of demand is estimated, it is possible to compare demand to the projected supply of low and middle income housing to determine if planned supply is sufficient to meet the expected demand created by employment growth. Unfortunately, there is a lack of complete and final data on the projected number of low and middle income housing units planned for the county. The Howard County Department of Housing and Community Development provided an estimate of 350 units of low income housing planned on being constructed in the county in the near term. The Howard County Department of Planning provided an estimate of the number of Middle Income Housing Units (MIHU) expected to be constructed in the near and long term. These MIHU units represent the number of units expected to be built as part of planned housing developments. This analysis does not include privately supplied affordable units, most importantly apartments, which may be affordable to middle income workers and residents.

As presented in Table 6, which compares estimated low and middle income housing demand projected to be created by employment growth (from Table 5) to the estimated supply of units (from County agencies), there is an insufficient number of units planned to meet even the portion of demand created by projected employment growth. A total of 561 additional low income units and an additional 176 middle income units are needed just to meet the demand expected to be created by employment growth over the next four years. More than 2,000 units of both are needed to meet long term employment growth, through 2020.

**Table 6**  
**Low Income Housing Demand and Supply - 2005 to 2015**

Item	2005-2010	2005-2015	2005-2020
Low Income Housing			
Demand Created by Estimated Growth in Resident Employment	911	1,719	2,469
Planned Units <sup>1</sup>	350	350	350
Surplus/(Deficit)	(561)	(1,369)	(2,119)
Middle Income Housing			
Demand Created by Estimated Growth in Resident Employment	1,068	2,499	3,806
Planned Units -	892	1,174	1,456
MIHU <sup>2</sup> Units	892	1,174	1,456
Other	0	0	0
Surplus/(Deficit)	(176)	(1,325)	(2,350)

(1) From Howard County Department of Housing and Community Development

(2) From Robey Plan

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Source: The Jacob France Institute



## Analysis 2: “Fair Share” Housing Requirements

The second new analysis prepared analyzes the supply of low and middle income housing relative to the demands created by all low and middle income jobs in the County. The analysis presented above need not meet the needs of some members of the Affordable Housing Task Force, some of whom are promoting the idea of “Fair Share” housing. According to these members, fair share housing would consist of each jurisdiction in Maryland providing sufficient low and middle income housing units to meet the demand created by the low and middle income jobs and job holders in each jurisdiction. This proposal grows out of the original Rouse promise that people coming to Howard County should be able to live where they work. As the cost and difficulty of transportation between regions increases, this option becomes more of a necessity. Under this proposal, low and middle income residents would be distributed regionally in proportion to their employment not by real estate market conditions.

As discussed above, there is a general lack of information on either low and middle income job distributions or the relationship of these jobs to households and residential location. However, the above presented analysis, again based on a series of simplifying assumptions that may or may not adequately reflect actual conditions, can be used to provide an initial estimate of the low and middle income housing gap in the county under the fair share housing goal. The results of this analysis are presented in Table 7.

As presented in Table 7, the county would need an additional 1,869 low income units and 299 middle income units to house the estimated number of households associated with low and middle income employment in the county. However, a significant drawback to this analysis is that many households choose to spend less than their maximum potential budget on housing. Thus, households with higher incomes occupy many low to middle income affordable units. As a result, there is likely to be a much larger gap in housing supply than is represented in this calculation.

**Table 7**  
**Fair Share Housing Gap, 2004**

Income	Monthly Payment Ability	Total Dwelling Units		Total Units
		Owner Occupied	Renter Occupied	
<b>Total</b>		<b><u>71,577</u></b>	<b><u>25,684</u></b>	<b><u>97,261</u></b>
<b>Lower Income Affordable Units</b>		13,814	5,882	19,696
Less than \$15,000	Less than \$300	2,076	2,671	4,747
\$15,000 to \$19,999	\$300-\$399	1,288	668	1,956
\$20,000 to \$24,999	\$400-\$499	4,366	205	4,572
\$25,000 to \$34,999	\$500-\$799	6,084	2,337	8,421
<b>Middle Income Affordable Units</b>		21,402	14,820	36,221
\$35,000 to \$49,999	\$800-\$999	4,080	4,135	8,215
\$50,000 to \$74,999	\$1,000-\$1,499	17,322	10,685	28,006
<b>Upper Income Affordable Units</b>				
\$75,000 and Above	\$1,500 and Above	36,361	4,983	41,344
Fair Share Low Income Housing Demand <sup>1</sup>				21,565
Low Income Housing Units				19,696
Fair Share Housing Gap				(1,869)
Fair Share Middle Income Housing Demand <sup>2</sup>				36,520
Middle Income Housing Units				36,221
Fair Share Housing Gap				(299)

(1) Single Income Low Income Job Households not limited to County residents from Table 5

(2) Single Income Middle Income Job Households Plus Dual Income Low Income Households, not limited to County residents from Table 5

Source: The Jacob France Insititute

## **Data Requirements for an Improved Analysis**

There is a lack of data to accurately measure either the supply of or demand for low and middle income housing. On the demand side, there is insufficient data on county employment by income level, how to convert low and middle income employment into households, a means to estimate the level of income for households, and on the place of residence of workers. On the supply side, there is insufficient information available from the county on the existing or projected supply of low and moderate income housing. All of these were estimated in the above analyses based on available data, which did not completely meet the needs to accurately describe this important issue, and a series of simplifying assumptions, which may or not be reflective of actual conditions. These analyses, however, provide at least an initial basis to quantify the housing affordability issues facing the county and its residents.

As the county moves forward on addressing the housing needs of low and moderate income residents and employees, there is no single data element that can provide a wholly accurate description of either the current situation or future needs. One potential new piece of information that may be useful in better assessing the demand for low and moderate income housing is a survey of the low and moderate income workers employed by county businesses on their place or residence, commute, household income, housing costs, and desire to reside in the county. The county government could also better track or at least estimate the number of current and planned housing units that are affordable at different income levels.

## **Conclusion**

It was clear that the housing affordability problem existed in Howard County before this analysis was conducted. As presented in Table 1, the price of the median condominium, single family attached and single family detached unit exceeds the affordable level for all low income and most middle income households. Part of the problem with the analyses conducted is the difficulties of measuring stocks versus flows in the housing market. The housing inventory is a stock while the number of new units being constructed or existing homes being sold is a flow. While the county appears to have a stock of units that are affordable, these units are already occupied and many of them will not be affordable when they are sold at the market price. The critical problem is that the cost of the units for sale or being constructed is outside of the affordable range for low to middle income households.

There is no single, broadly acceptable way to measure the gap in the supply of affordable housing in the county. As presented in Table 2, 25,147 county households, more than a quarter of all households, spend more than the 30% of their income on housing generally considered as being affordable. Thus, this represents the broadest measure of the scope of the affordable housing problem in the county. Table 3 provides an estimate of the number of units required so that existing residents pay no more than 30% of their income on housing. Based on this calculation, the county needs a reallocation of 20,800 units into lower and middle income units. According to Tables 5 and 6, Howard County needs 6,275 low and middle income units just to meet the estimated demand that will be created by the projected growth in County employment. If

the affect of housing sales turning existing affordable housing into upper income housing is added to the demand, the potential need will be in the tens of thousands of units to meet the spectrum of need requirements. While there is no way to quantify the exact need, more units are clearly required to meet demand. Hopefully, this analysis provided at least some initial estimates as to the size of the problem.